

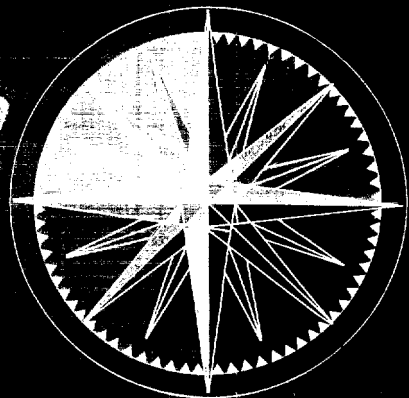
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SPECIAL REPORT

MALAYSIA'S INTERNAL PROBLEMS

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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27 March 1964

MALAYSIA'S INTERNAL PROBLEMS

Indonesia's confrontation policies against Malaysia since early 1963 have diverted attention from a number of basic internal problems which will test the viability of the new federation for some years to come. Almost without exception the underlying basis of these problems is communal friction and its ramifications: between the Chinese and Malay groupings throughout Malaysia, between the Malays on the mainland and those in Borneo, and between Chinese elements on the mainland and those in the rest of Malaysia. The forthcoming elections in mainland Malaysia and the Chinese Communist threat within Sarawak point up the intricacies of this issue.

The federal government apparently is either not interested in pulling the four disparate parts of Malaysia together or is unable to do so. Malaya (the mainland), Singapore, Sabah, and Sarawak are scarcely more united now than they were when formally merged last September. Without the cohesive effect of the Indonesian confrontation, the federation might already be disintegrating.

Rahman's Alliance Party

The political maneuvering in advance of the scheduled 25 April mainland elections reflects the underlying strife between Malaysia's two major ethnic groups--the Chinese and Malays. While Sabah, Sarawak, and Singapore all had elections in 1963, there has been no statewide election in Malaya since 1959. In passing judgment on the record of Prime Minister Abdul Rahman's federal government, the Malayan voters will determine the largest grouping of representatives in the Malaysian Parliament. More vital for the future of the federation, the elections will also test the tenuous relationships within Malaya's governing Alliance Party, a loose group-

ing made up of the United Malays National Organization (UMNO), the Malaysian Chinese Association (MCA), and the Malaysian Indian Congress (MIC).

The UMNO remains the largest single political group in the country. Although no longer quite as dominant as in the past, it probably still holds the key to Malaysia's immediate political future. The party's *raison d'être* is the Malays' belief that they must present a united front to prevent the local Chinese from dominating the country.

As a result of the negotiations which brought Malaysia into being, however, it has become increasingly clear that there are important divisions within UMNO.

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Malaysia

TUNKU ABDUL RAHMAN
(PRIME MINISTER OF MALAYSIA)

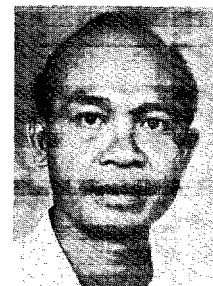
REGIONAL CHIEF MINISTERS



LEE KUAN YEW
(SINGAPORE)



DONALD STEPHENS
(SABAH)



STEPHEN NINGKAN
(SARAWAK)

Composition of Lower House by Race, Party, and Region

REGION (Figure in parentheses is number of seats in House)	MAINLAND MALAYSIA (104) *	SINGAPORE (15)	SABAH (16)	SARAWAK (24)	TOTALS (159)
ALLIANCE PARTIES	51	-	5	4	60
	3	-	5	9	17
SOCIALIST FRONT PARTIES	1	-	-	-	1
	3	-	-	1	4
PAN-MALAYAN ISLAMIC PARTY (PMIP)	13	-	-	-	13
	-	-	-	-	-
PEOPLES ACTION PARTY (PAP)	-	2	-	-	2
	-	1	-	-	1
PARTY NEGARA (PANAS)	-	-	-	2	2
	-	-	-	1	1
PEOPLES PROGRESSIVE PARTY (PPP)	-	-	-	-	-
	2	-	-	-	2
ALL OTHER PARTIES	1	-	-	1	2
	-	-	-	-	-
TOTALS	66	2	5	7	
	8	1	5	11	

* Seats allotted to Mainland States as follows:

16 Johore
12 Kedah
10 Kelantan
4 Malacca
6 Negri Sembilan
6 Pahang
8 Penang
20 Perak
2 Perlis
14 Selangor
6 Trengganu

Malay
Chinese
Other

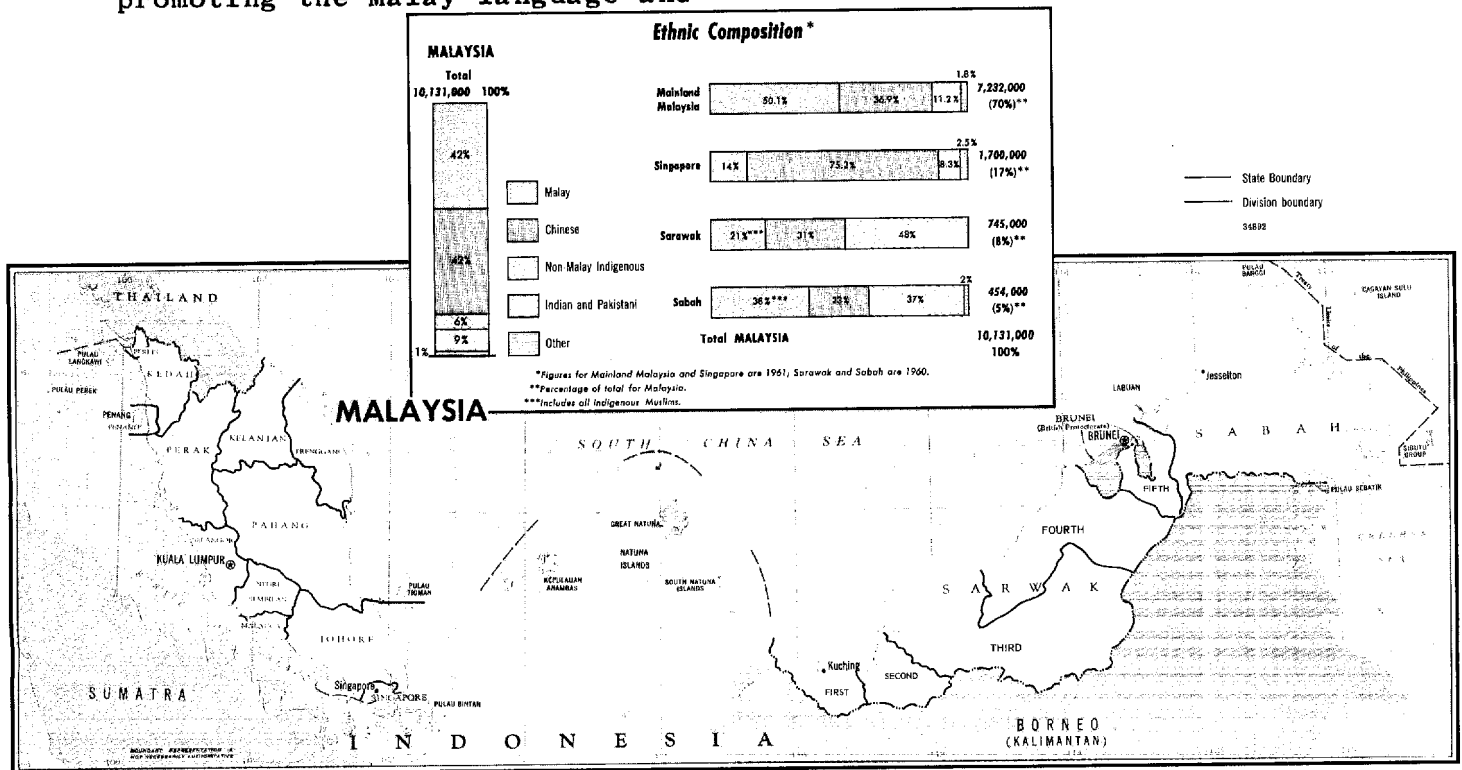
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The conservatives led by Prime Minister Rahman comprise one of UMNO's two main groups. They are Malay aristocrats dedicated to preserving Malay privileges, particularly those of their own feudal ruling class. As a result of long political experience, they have come to believe that the best way to preserve their position is through cooperation with the Chinese and British businessmen internally and the West externally.

Differing from them on several significant points are the younger radicals like Syed Jaafar Albar, UMNO's secretary general. They dislike certain aspects of Malay feudalism, and are more rabidly Malay nationalist than the conservatives--interested in promoting the Malay language and

and in closer cultural ties with the Indonesians. The UMNO radicals also place more emphasis on socialism and cooperatives in order to break the Chinese and European business control of the economy.

The Chinese living in Malaya --37 percent of the total mainland population--have attained a high degree of political assimilation through their MCA's participation in the Alliance Party. Nevertheless, present institutions and arrangements give the Malays predominant political power, and the Chinese do not have proportionate representation in the civil service, in the executive cabinet, or in the parliament. Many of them feel that the MCA has sacrificed their interests in order to

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maintain a few rich old Chinese leaders in power. A great number of articulate Chinese, especially in urban areas, resent the Alliance government's attitude, and are increasingly attracted to Singapore Chief Minister Lee Kuan Yew and his Peoples Action Party (PAP).

Lee Kuan Yew's PAP

The PAP is the most significant opposition group in the Malaysian Parliament. Man for man, its 12 representatives from Singapore, including all nine members of the Singapore state cabinet, are the most able and articulate group there. Lee himself is a dynamic speaker, energetic worker and skillful organizer. His socialist doctrine has been modified by practical experience as Singapore's leader for six years.

Solidly established in Singapore before the merger, in elections there last September the PAP beat off a challenge from Malaya's Alliance Party. Chief Ministers Donald Stephens of Sabah and Stephen Ningkan of Sarawak are also gradually lining up with the PAP. As an individual, Lee Kuan Yew fills the Chinese leadership vacuum in those two states, and his party offers experience to apply to some of the vast array of problems confronting the states. Chinese in Malaya, too, are taking increasing pride in Lee's achievements and prestige.

Although it would be politically logical to replace the

fading MCA with the PAP in the Alliance, Rahman and the other Malayan leadership will not agree to it. Rahman realizes that the PAP could bring to the Alliance many urban voters who will otherwise be lost to other opposition parties, but he continues to fear Lee's ambition and even more, he fears the reaction of rural Malays if a strong Chinese political leader like Lee rises in importance. This, he believes, could split the country into communal camps and pit the cities against the conservative countryside.

Rahman's recent cancellation of a publicly announced trip for Lee to explain Malaysia to the American people--following a highly successful tour of several Middle East and African nations--is a by-product of this jealousy.

The PAP is entering the April elections on the mainland gingerly. It is fielding only a token number of candidates--no more than twelve. Lee is making it clear to Rahman that the PAP has no intention of challenging his Alliance government, but rather is contesting only those MCA seats which he feels would otherwise fall to the predominantly Chinese Socialist Front. Lee has made it clear, however, that he expects he can subsequently capitalize

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on MCA losses and any PAP victories and extend his influence within the mainland.

Lee's Long-Term Aims

Although the Chinese communities provide the preponderance of the PAP's support, Lee is making a major effort to make it a noncommunal party. This effort has already enjoyed some success in Singapore. In last September's elections there, districts with a Malay majority convincingly rejected UMNO candidates in favor of those from the PAP. Rahman publicly called these Malays "traitors." Lee followed up his victory by establishing a Ministry of Social Welfare which has the specific purpose of aiding the Malays in Singapore.

Such steps greatly aid the PAP's attempts to generate support from the Malays throughout the federation--necessary if it is ever to take over the government. Although Lee still quietly makes some play to Chinese chauvinism in the Chinese-language press, most of his public statements lay great stress on the PAP's noncommunal nature.

He aims to replace the essentially communal approach to Malaysian politics by appealing to the intellect and to economic interests on the basis of a moderate socialist program and on his record of efficient, honest government in Singapore. In their control of the state government, he and his colleagues retain one excellent forum for

the exposition of their views, and in the Federal Parliament, where they speak for the richest and most progressive part of Malaysia, they have another.

Rahman's Election Campaign

Rahman, for his part, is waging a strong campaign on behalf of his Alliance. On 22 March he "took leave" of the prime ministry in order to devote full time to the elections --five years ago he resigned for the same purpose.

Of the three Alliance partners, the MCA is the most seriously threatened, facing a challenge not only from the PAP and the Socialist Front, but from two other groups seeking to represent the Chinese community--the Peoples Progressive Party and the United Democratic Party. In seeking to demonstrate that it is not moribund the MCA will be aided by Rahman's support, by a substantial campaign chest, and by a fear of extremist Socialist Front policies.

Rahman's immediate aim is to increase the Alliance's present 74 seats in the 159-member Parliament to at least enough for a majority not dependent on political partners in Sabah and Sarawak. This would free the Alliance from any immediate anxiety over a possible PAP move after the election to form a coalition against it.

In fact, Rahman and other central government leaders have shown little appreciation of

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their need for their Borneo partners' support in Parliament. In many ways they have been incredibly cavalier in their treatment of the sensibilities of Sabah and Sarawak. Nevertheless the Borneo states' attitudes have constituted an important factor in the Rahman cabinet's assessment of its maneuverability in dealing with Indonesian confrontation and with the Philippine claim to Sabah.

Communist Subversion
In Sarawak

Even without these external challenges, the increasing threat of Communist subversion within the Chinese community in Sarawak would constitute a major threat to the stability of the new nation. For ten years the Sarawak Advanced Youth Association--

25X1 calls the Clandestine Communist Organization (CCO)--has operated covertly.

Until 1962, the exclusively Chinese CCO used constitutional methods to pursue its aim of establishing a Communist state in Sarawak. It followed classic Communist "united front" tactics, and has used the Sarawak United Peoples Party (SUPP), formed in 1959, as the principal vehicle for its activities. Just over half of SUPP's estimated 50,000 members are Chinese.

By the middle of 1962, the CCO had achieved a dominating influence in SUPP at all executive levels, and by the end of

the year has used SUPP to extend CCO influence into all fields of the Chinese community activity--primary and secondary schools, trade unions, and political organizations. Despite governmental action since then to weaken the influence of the CCO by jailing some of its leading activists, no appreciable disruption of its control is discernible. The arrests have returned SUPP's Central Working Committee to the control of moderates, but they are unable to dictate party policy in the face of opposition from SUPP branches still under CCO control.

In the middle of 1962 the CCO formed an illegal satellite organization known as the Sarawak Farmers' Association (SFA). Its current estimated membership is 13,000. The CCO succeeded in using the SFA to achieve a controlling influence among the Chinese rural masses. However, later attempts to attract support among the indigenous races have not done very well.

Capability For Insurgency

The hard-core membership of the CCO is estimated at 1,400-1,600, which includes 250-300 cadres. The total number of sympathizers is estimated at 20,000-30,000. CCO members and its supporters are found mainly in the state's first and third divisions. If arms were available, it might be able to form a force of some 3,500-4,000 men.

Following the December 1962 revolt in Brunei--at that time

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still slated for membership in the Malaysian federation--the CCO leadership began preparing for armed insurgency in Sarawak. The constitutional struggle was to continue through SUPP, however, despite the belief that success by this means was becoming increasingly unlikely. Since early 1963 an intensive propaganda campaign has been under way, both by the CCO directly and the SFA, to condition the minds of the masses to armed struggle against Malaysia and to instill hatred of the British.

Military training in guerilla tactics, sabotage, and jungle warfare also commenced throughout Sarawak at that time. The CCO has sent up to 800 dissidents to Indonesian Borneo for similar paramilitary training. Some of these have been reinfiltrated back into Malaysian Borneo to form the nucleus of a guerrilla force and to recruit and train supporters who have remained in Sarawak.

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[redacted]
believe, on the basis of captured documentary evidence, that the CCO's "most serious intention" is to continue with its plans for armed revolt, that CCO intimidation of those who do not follow the party line "can be expected on a wider scale," and that armed guerrillas "will usually be recruited from satellite organizations, principally the SFA."

Stepped-Up Preparations

Thorough and systematic preparations have quietly been stepped up during the past six months. Last September the Chinese extremists revealed an ability to stage riots and demonstrations at each major stop of the UN assessment team in Sarawak. That this was done at a time when most of the CCO's top leaders were absent training in Indonesia underlines the CCO's organizational strength.

A change in the behavior of arrested CCO elements this year suggests a growing boldness. Previously, a suspected CCO member under interrogation refused to admit any connections with the organization or to having any pro-Communist leanings. Now, CCO suspects freely admit their involvement and state, "Before you question me I wish to say that I am a member of the CCO. I believe in Communism. I believe Communism is the best answer for this country and nothing you can say will change my belief."

The assumption that ordinary citizens in the Sarawak Chinese community might be expected to repudiate the CCO's extremism and subversive program was dispelled when in the July 1963 Sarawak state elections a majority of the Chinese voted against the pro-Malaysian candidates and parties. The Chinese were the only communal group to do so.

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No first-rate pro-Malaysian Chinese leader with any organization or depth of popularity has emerged, and the affluent pro-Alliance elements within the Sarawak Chinese community are increasingly set apart.

Most Sarawak Chinese see the political power in their state divided between incoming Malay "foreign masters" and indigenous people whom they consider inferior in every way. Repressive economic measures, bluntly anti-Chinese statements, and discrimination by the present Sarawak government tend to solidify further Chinese communal feelings.

Outlook

Even without active Indonesian support, the CCO's subversion and terrorism campaign would threaten to be a long and costly struggle. At the very least, the CCO will probably continue to enjoy an Indonesian safe haven and some assistance in arms and equipment from the Indonesian Communist Party or the Indonesian

Army. If the Indonesian Government adopts a systematic program for increased support of the CCO, the drain on Malaysian Government resources--administrative, military, and financial--would seriously weaken the entire federation.

Any long-term solution to the Sarawak subversive problem rests in dulling the racial antagonisms both there and throughout the federation. The growing strength of Lee Kuan Yew's PAP and its effort to become a non-communal, federation-wide movement may provide the principal chance for such a development.

A school within the UMNO, similarly, would have it reconstruct itself into a national multiracial party, incorporating the other two racial components of Rahman's Alliance. To succeed, these nascent trends must overcome the deeply rooted, many faceted frictions which Indonesia will be constantly trying to exploit to destroy the federation. (SECRET NO FOREIGN DISSEM)

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